

Tenants in poverty risk based on residual income

Analyses with EU-SILC

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- Aims
- Approach
- Results of EU-SILC calculations
- Conclusions on method and database

1. Determine the extent of social exclusion or poverty induced by housing expenses
 - Financial approach based on income and housing expenditure
 - Use of a relative benchmark (60% poverty line)
2. Possibilities of using EU-SILC

Approach: definitions and benchmarks

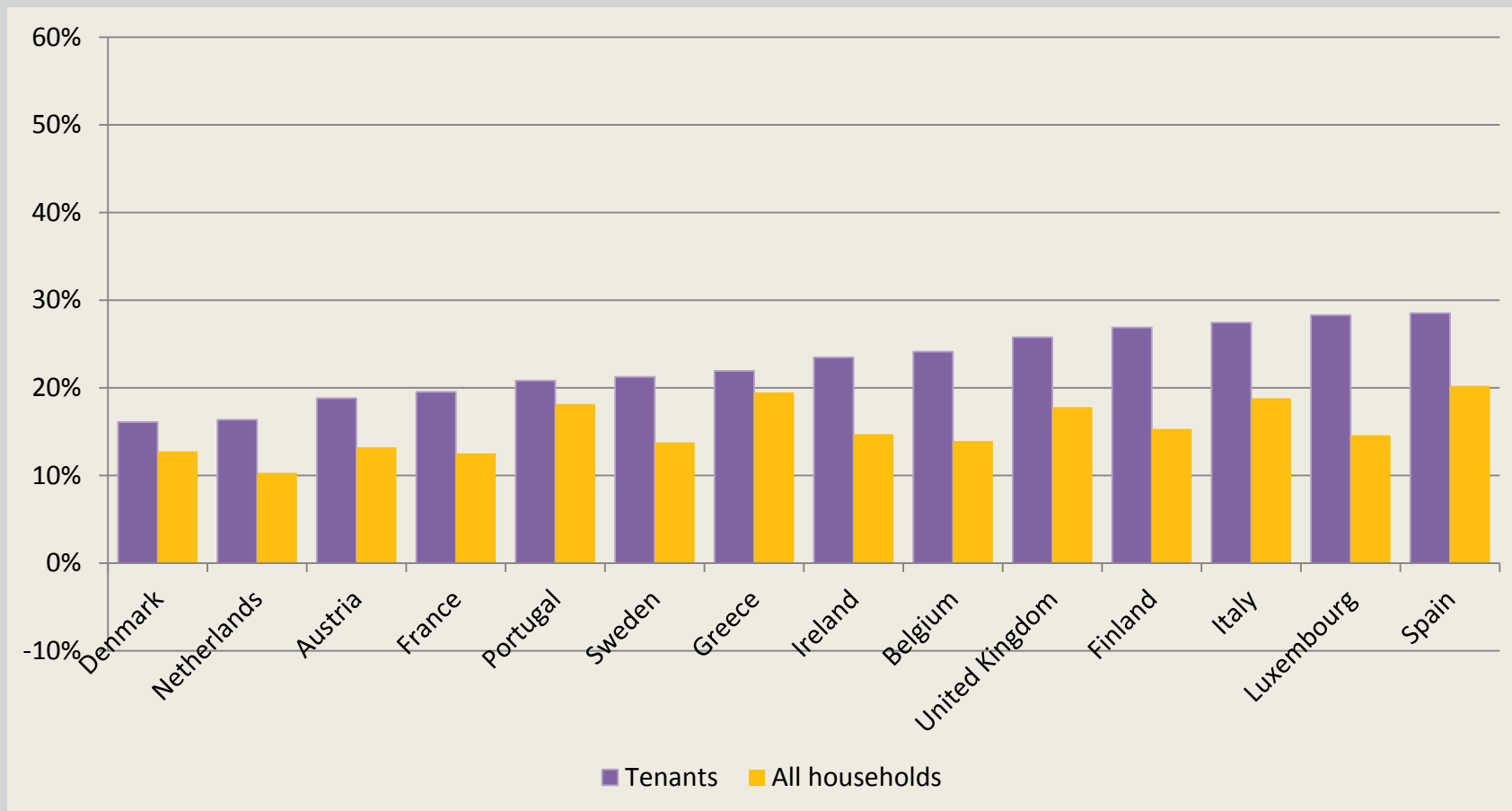
- At-risk-of-poverty based on disposable income
 - = Eurostat definition
 - = share of people with equivalised disposable income below 60% of the national median
- Residual income
 - = disposable household income -/- rent
- At-risk-of-poverty based on residual income
 - = share of households with equivalised residual income below 60% of the national median

Social exclusion or poverty by housing

- Both types of at-risk-of poverty
 - Difference:
at-risk-of-poverty induced by housing expenses
 - Four groups in principle: ++, --, +-, -+
 - Impact of over- and underconsumption of housing
in terms of number of rooms

Results – poverty rates

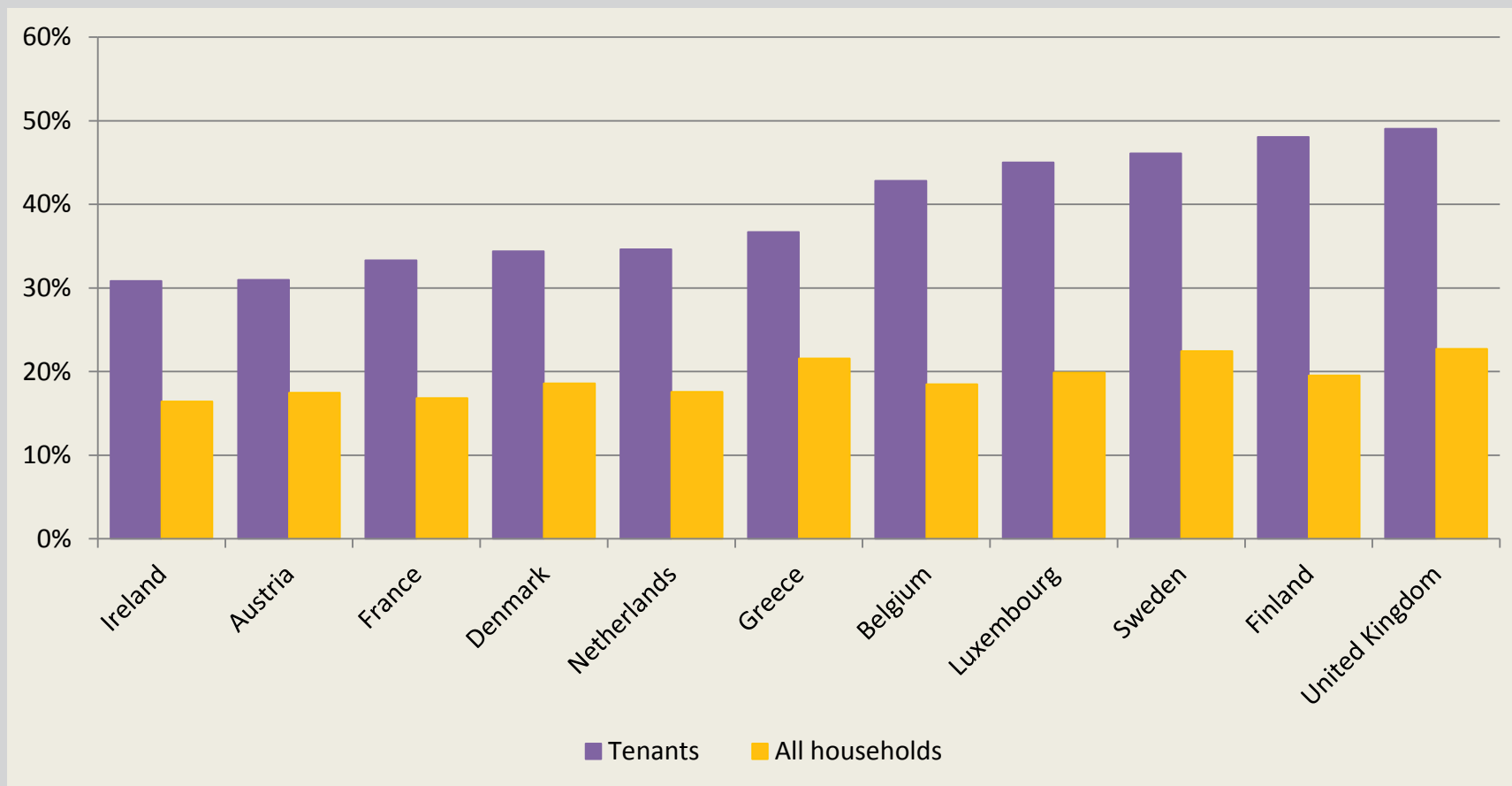
- At-risk-of-poverty rate, **disposable income**, tenants and all households, in %, EU-15, 2008/2009



Source: EU-SILC 2009, OTB/TU Delft calculations (Haffner et al., forthcoming).

Results – poverty rates

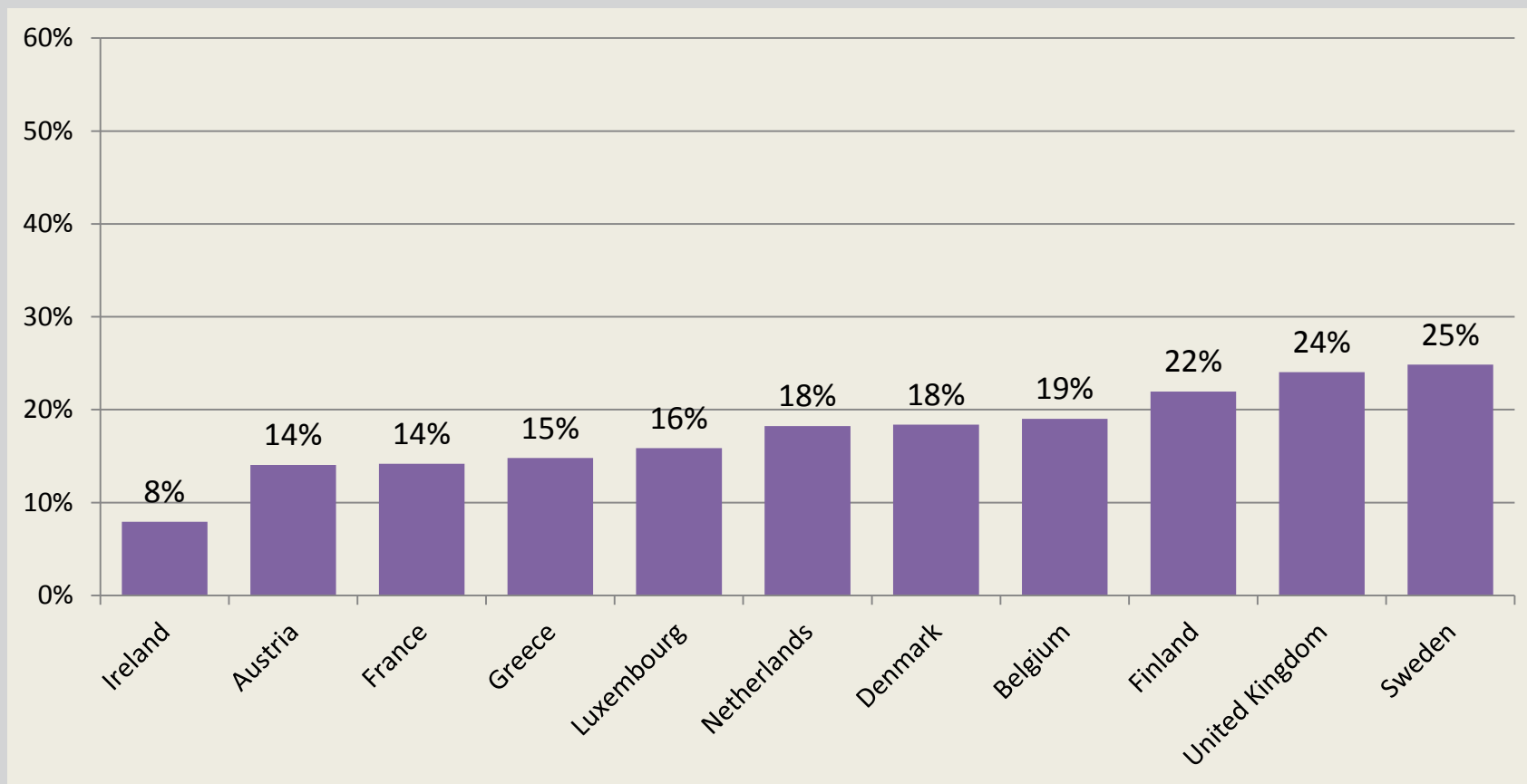
- At-risk-of-poverty rate, **residual income**, tenants and all households, in %, EU 15, 2008/2009



Source: EU-SILC 2009, OTB/TU Delft calculations (Haffner et al., forthcoming).

Results – poverty rates

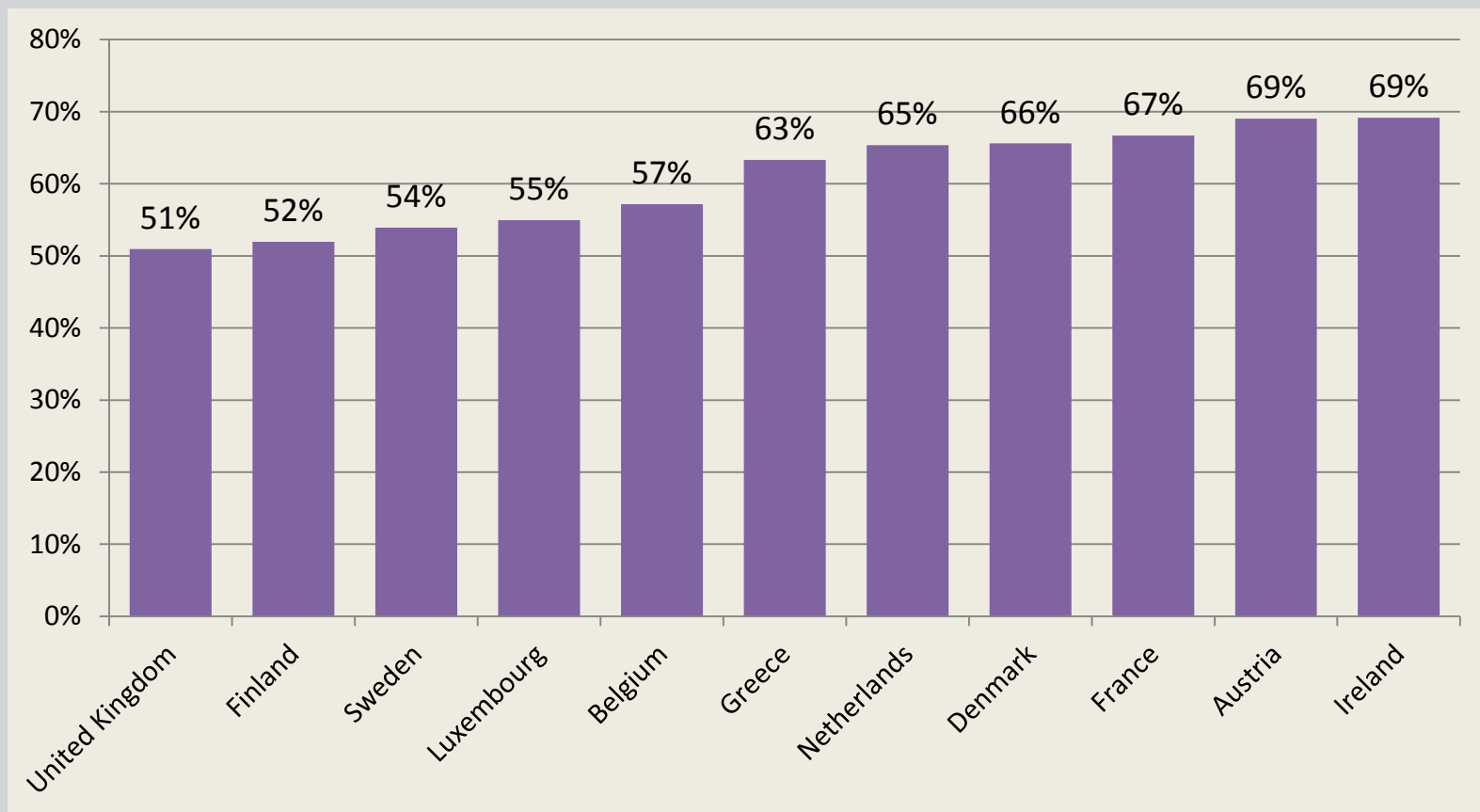
- Share of at-risk-of-poverty induced by housing expenses, tenants, in %, EU-15, 2008/2009



Source: EU-SILC 2009, OTB/TU Delft calculations (Haffner et al., forthcoming).

Results – poverty rates

- Share **not** at-risk-of-poverty by **disposable or residual income**, tenants, in %, EU-15, 2008/2009



Source: EU-SILC 2009, OTB/TU Delft calculations (Haffner et al., forthcoming).

Results – features of poverty groups

- Analysis of characteristics of three groups of tenants (EU-15):
 - Not at-risk-of-poverty (*non-poor*)
 - At-risk-of-poverty, by both disposable and residual income (*poor by both definitions*)
 - At-risk-of-poverty, induced by housing expenses (*poor by housing*)

According to:

- Tertiles of equivalent disposable income
- Tertiles of net rent
- Working situation (employment, retired, other inactive)

Results - features of poverty groups

- Analysis of tenants according to tertiles of equivalent disposable income
 - Non-poor: mainly in second and third tertile
 - Poor by both definitions: entirely in first tertile in each country
 - Poor by housing: first and *second* tertile, not in third
 - <-> tenants poverty *before* housing < 30% in all countries

Example: the Netherlands, tenants, %, SILC-data

Income tertiles	Non-poor	Poor, by both definitions	Poor by housing expenses
1st	7	100	70
2nd	43	0	29
3rd	51	0	1

Results - features of poverty groups

- Analysis of tenants according to tertiles of net rent
 - Non-poor: equally spread over 3 rent tertiles
 - Poor by both definitions: overrepresented in first rent tertile
 - Poor by housing: spread over 3 tertiles, but in 8 out of 12 countries: largest share in third rent tertile
- Example: Belgium, tenants, %, SILC-data

Rent tertiles	Non-poor	Poor, by both definitions	Poor by housing expenses
1st	30	51	21
2nd	35	32	32
3rd	36	17	47

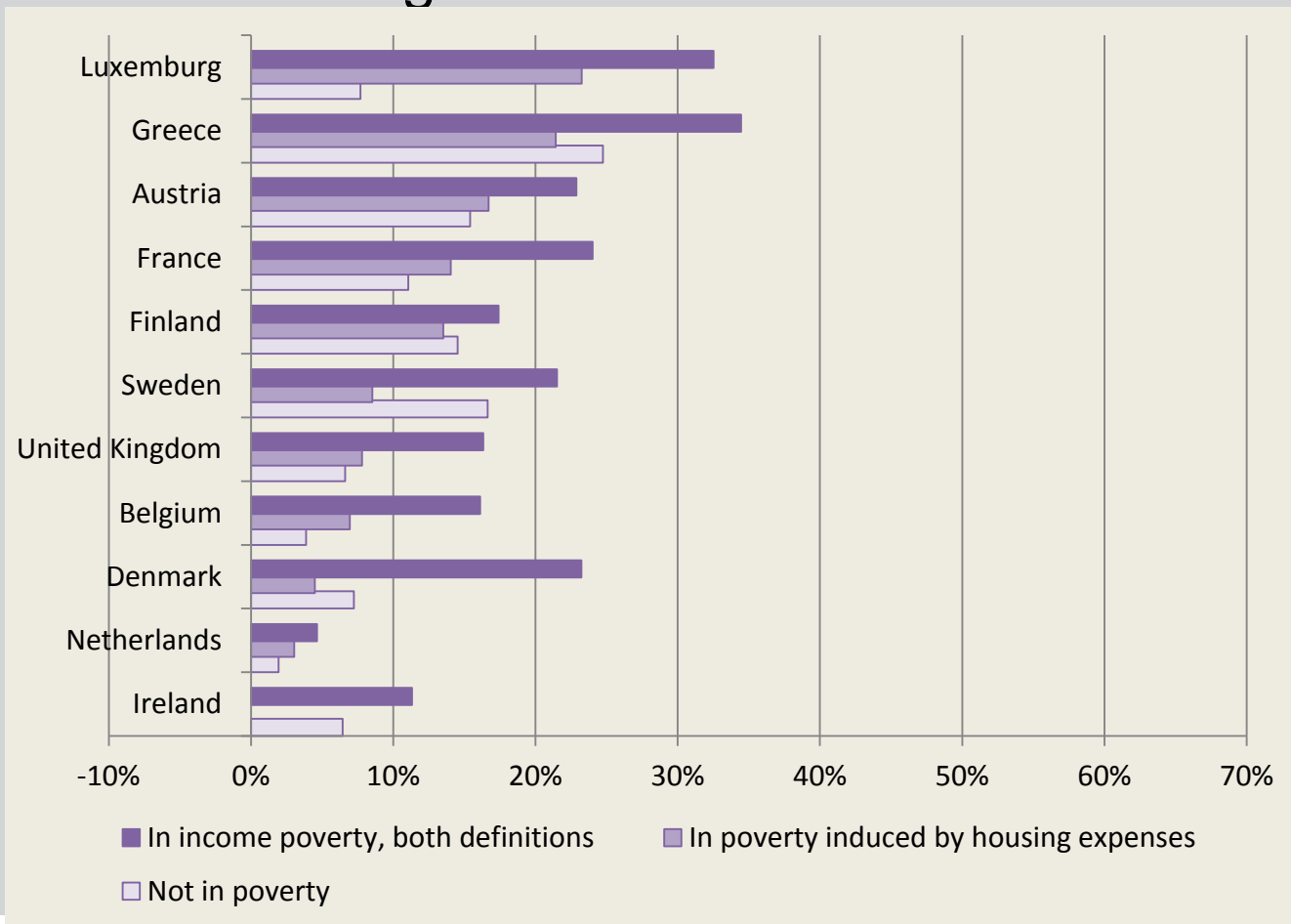
Results - features of poverty groups

- Analysis of tenants according to work situation
 - Non-poor: large majority is working
 - Poor by both definitions: 'other inactive people' overrepresented, working people underrepresented in all countries
 - Poor by housing: large share of retired people in most countries, low employment share
- Example: United Kingdom, tenants, %, SILC-data

Work situation	Non-poor	Poor, by both definitions	Poor by housing expenses	Total
Employment	69	29	38	52
Retired	20	16	31	22
Other inactive	11	55	31	27

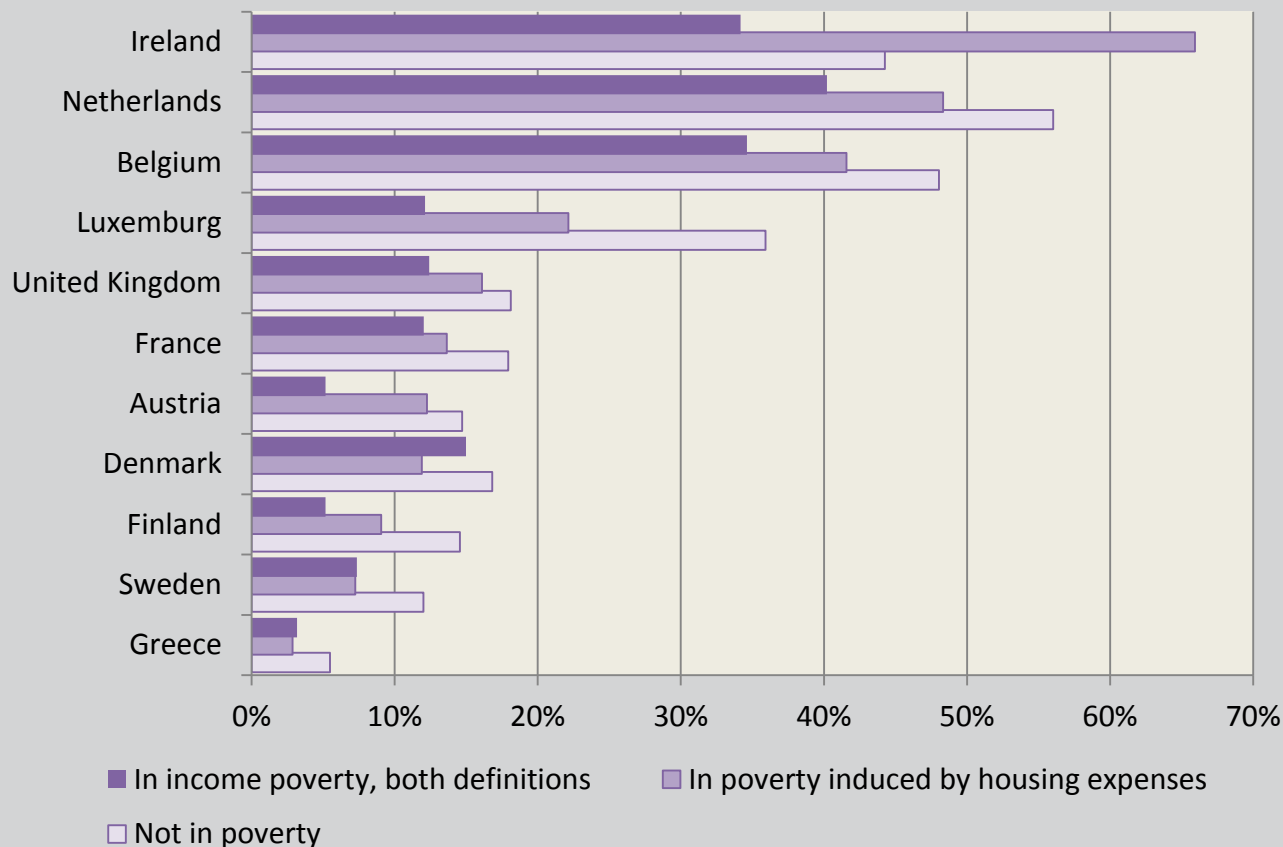
Results – poverty and overcrowding

- Tenants according to poverty group and % overcrowding



Results – poverty and overconsumption

- Tenants according to poverty group and % overconsumption



Conclusions

- Usefulness of indicator ‘at-risk-of-poverty induced by housing expenses’ or ‘poor by housing’
- Only tenants (EU-SILC limitation), EU-15
- Poverty *after* housing > poverty *before* housing
- Poor by housing \neq composition than poor by both definitions
 - Also tenants in second tertile
 - Tenants with higher rents
 - More retired people, less ‘other inactive’
- Poor by housing: higher rate of overconsumption than poor by both definitions

Conclusions

- From affordability to poverty:
 - Housing is unaffordable when equivalent residual income $< 60\%$ of median equivalent residual income
 - Two parts:
 - Unaffordable housing due to low income: poor by both definitions
 - Unaffordable housing due to relatively high rent: poor by housing



More common approach: unaffordable housing based on residual income and absolute standard

Conclusions

- Relative affordability standard and residual income:
 - 60% is arbitrarily chosen \leftrightarrow minimum budget standards
 - Always a share of poor people \rightarrow problematic for comparison of countries with varying wealth
 - Positive: Relatively easy, norms and data are available for each EU-country (EU-SILC) \leftrightarrow minimum budget standards